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050630Z Apr 05

UNCLAS THE HAGUE 000883

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SENSITIVE

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [PINR](#) [NL](#)

SUBJECT: DUTCH CABINET SURVIVES

REF: THE HAGUE 829

1. (SBU) Summary: As anticipated (reftel,) the rank and file of the Democrats-66 (D66) party, the junior member of Prime Minister Balkenende's coalition government, voted overwhelmingly at an April 2 extraordinary party congress to remain in the coalition despite the resignation of D66 Deputy PM De Graaf. After several hours of sometimes contentious debate, party members concluded that forcing early elections would not be in D66's long-term interest, and agreed that remaining in the coalition would allow D66 to press its reform agenda from within the government until the next regularly scheduled elections in May 2007. The senior Christian Democrats (CDA) and conservative Liberal Party (VVD) coalition partners were clearly relieved that a serious cabinet crisis had been averted. End summary.

2. (U) Following the March 23 resignation of D66 Deputy Prime Minister and Government Reform Minister Thom de Graaf over rejection of several government reform proposals, D66 renegotiated the 2003 coalition accord on terms that would justify its remaining in the government by obtaining concessions on other party priorities. On April 2, D66's rank and file was convened at an extraordinary party congress to give its opinion on the accord. In the end, about a two-third majority at the party congress voted for the accord -- and thus for staying in the coalition -- primarily because early elections were not considered to be in the interest of the nation or the party. Party members appeared to be convinced that early elections would more likely only play into the hands of the opposition and frustrate any real chance of reform in the near term. Although many members expressed irritation that senior coalition members did not take D66's political reform proposals more seriously, the majority agreed that D66 should continue to pursue a broad liberal agenda (of which political reform is only one part) within the present coalition government.

3. (U) The two larger coalition parties -- the Christian Democrats (CDA) and the Liberals (VVD)-- were openly relieved at the outcome of the D66 party congress. PM Balkenende recommitted his cabinet to carry on with its reform agenda, "which is so badly needed." CDA floorleader Verhagen opined, "The coalition has emerged strengthened from this crisis." Opposition Labor Party (PvdA) leaders, on the other hand, reproached D66 of "cowardice" for fearing a confrontation with the voters.

COMMENT:

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4. (SBU) D66's action has preserved the coalition government for now, but it is unclear how much damage the de Graaf affair will do to D66's long-term credibility. In addition, all three coalition parties are currently declining in the polls, and several of the cabinet's policies (and some individual members) remain very unpopular. Balkenende has clearly dodged one bullet, but it is not inconceivable that he will face other challenges to the current coalition well before the scheduled 2007 elections.

Sobel